

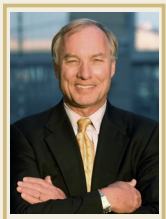


COMPTROLLER
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Serving the People

Winter 2016

Peter Franchot, Comptroller
www.marylandtaxes.com

From the Desk of the
Comptroller



Tax fraud and identity theft are the most serious threats to taxpayers and the biggest challenges facing state and federal tax administrators.

In recent weeks, my staff suspended processing suspicious and potentially fraudulent tax filings from numerous Liberty Tax franchises and a number of private tax preparers.

While my office continues our investigations on these businesses, we remain focused on our ongoing efforts to protect Marylanders from tax fraud and identity theft. Thanks to the diligent work of my agency, we've detected more than 65,000 falsified tax returns and stopped the disbursement of more than \$153 million in fraudulent refunds since I took office in 2007. In addition, I recently signed a Memorandum of Understanding with the Internal Revenue Service and a number of states in order to engage our counterparts across the country and work together in tackling this rapidly growing national problem.

In order for us to keep pace with sophisticated fraud schemes, I've introduced the Taxpayer Protection Act, which would strengthen my agency's ability to safeguard taxpayer information, protect Marylanders from tax fraud, and increase my office's law enforcement powers to hold accountable fraudulent filers and preparers. Key provisions of this bill include extending the statute of limitations on tax crimes from 3 years to 6 years; allowing my agency to issue injunctions on tax preparers while they're under investigation for fraud; and enabling my office to properly investigate tax fraud cases by granting field enforcement officers the authority to issue subpoenas and sign charging documents.

I hope the General Assembly will take swift and decisive action in passing this important legislation, and I urge you to contact your legislators and ask for their support of this bill.

Peter Franchot
Comptroller of Maryland

New for Tax Year 2015

Comptroller Peter Franchot has announced important information about recent changes to Maryland tax laws and filing processes for the 2016 Tax Filing Season

Maryland opened its personal income tax filing season on January 19, 2016, on the same day as the Internal Revenue Service, since it relies on IRS systems to process and verify state returns. This year's tax filing deadline is April 18, due to the observance of Emancipation Day in the District of Columbia on April 15. *Continued on Page 2*

www.marylandtaxes.com

Revenue

2016 Tax Filing Season Under Way in Maryland

The Maryland tax return filing deadline this year is Monday, April 18 — the same date as the IRS deadline. The traditional deadline is April 15, but due to the observance of Emancipation Day in the District of Columbia, the IRS pushed the deadline to April 18.

Personal income tax returns for Tax Year 2015 began processing January 19 – the same day the Internal Revenue Service (IRS) accepted returns -- and business tax returns began processing on January 9.


The Comptroller reminds taxpayers to file their personal income tax return electronically with tax preparation software, using a tax professional or taking advantage of the Comptroller's own FREE online system called iFile.

"The prompt processing of returns and reuniting you

with your hard-earned money is my absolute top priority as Comptroller," Franchot said. "I'm proud of the agency's reputation as a national leader in efficiency and effectiveness with getting most Marylanders their electronic refunds within three business days."

A list of approved vendors for filing your electronic return can be found at www.marylandtaxes.com. Free state tax assistance is available at all of the agency's 12 taxpayer service offices, Monday through Friday, 8:30 a.m. to 4:30 p.m. A list of office locations can be found at www.marylandtaxes.com.

The Comptroller's Office also will offer extended hours for telephone assistance through April 18, 2016, from 8:30 a.m. to 7 p.m., Monday through Friday, except for state holidays.

For more information on any tax-related matter, please go to the Comptroller's website at www.marylandtaxes.com or call 1-800-MD-TAXES (1-800-638-2937) or 410-260-7980 in Central Maryland. 

New for Tax Year 2015 *Continued from Page 1*


Form 502 is a bit longer - To enhance processing and readability, the 2015 Maryland Income Tax Forms have been reformatted to enhance processing and readability. This conversion changed the placement of lines and fields on the forms. Some forms are now longer than their 2014 counterparts. For example, the 2015 Form 502 is one page longer than the 2014 Form 502.

Increased Pension Exclusion - Maryland's maximum pension exclusion, which is available to qualifying taxpayers 65 and older, increased from \$29,000 to \$29,200 for tax year 2015.

Subtraction Modification – Military Retirement Income - Taxpayers who are age 65 and over may subtract up to \$10,000 of military retirement income.

Taxpayers who have not attained the age of 65 may subtract up to \$5,000 of military retirement income.

Local Tax Rate Changes - For tax year 2015, Carroll County has decreased its tax rate to 3.03 percent. For tax year 2016, Anne Arundel County has decreased its tax rate to 2.50 percent, and Worcester County has increased its rate to 1.75 percent. The nonresident tax rate has also increased to 1.75 percent for tax year 2016. See Local Income Tax Rates for the list of rates by county.

Taxpayer Service Hours - The Comptroller of Maryland offers extended hours for telephone assistance from February 1 - April 18, 2016. During this period, telephone assistance is available from 8:30 a.m. to 7 p.m., Monday through Friday, except for State Holidays. 

COMPTROLLER PETER FRANCHOT *reminds taxpayers that the most efficient and secure way to file a state and federal tax return is to file electronically.*

Choosing a Tax Preparer in Maryland

As of January 1, 2016, tax preparers who prepare taxes for Marylanders are required to have passed the Maryland Tax Preparers Examination to continue to provide that service. The requirement applies to individuals currently registered or those who have renewed his/her registration prior to the January 1 deadline.

The Maryland State Board of Individual Tax Preparers qualifies and registers individual tax preparers in the State. An individual is required to be registered by the Board before providing individual tax preparation services. In Maryland, there are more than 4,000 registered tax preparers.

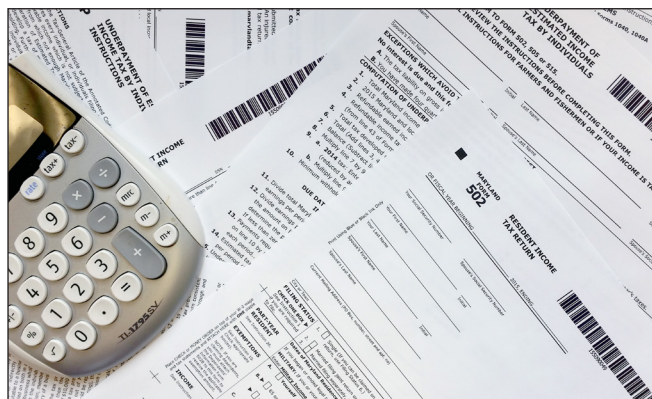
To qualify, an individual must be 18 years old, a high school graduate and pass an examination. The Board is authorized to deny registration, reprimand a registered individual or suspend or revoke a registration.

Individuals who have not passed the examination and prepare tax returns are subject to disciplinary action, which may result in a suspension, revocation and/or a civil penalty not to exceed \$5,000.

Using a Maryland Registered Preparer provides taxpayers with the confidence that their tax return is being prepared correctly and legally. Taxpayers are reminded that they are responsible for their taxes, not the preparer. Taxpayers may file a complaint with the Board if there is a problem with a registered tax preparer.

In Maryland, a registered tax preparer must:

- Have a certificate from the Board. Ask to see it.
- Take Continuing Education courses in federal and Maryland tax subjects.
- Pass a three-hour tax exam by December 31, 2015.
- Pay a fee to register with the state board.



To reach the Maryland State Board of Individual Tax Preparers, you may call 410-230-6257, email indtaxprep@dllr.state.md.us or visit the website of the Department of Labor, Licensing and Regulation at <http://dllr.maryland.gov/license/taxprep/>.

While Maryland tax preparers are required by state law to be registered with the Board, there are a few exceptions. The following do not have to be registered with the Board:

- Certified Public Accountants (CPAs)
- Enrolled Agents of the Internal Revenue Service
- Attorneys

Maryland tax preparers must have a Maryland Registration and a Preparer Tax Identification Number (PTIN). A PTIN is issued by the Internal Revenue Service to all tax preparers in every state. It is not a Maryland Registration. Maryland preparers **MUST** have both. Ask to see your preparer's Maryland Registration Card.

To reach the Maryland State Board of Individual Tax Preparers, taxpayers may:

- Call 410-230-6244,
- Email indtaxprep@dllr.state.md.us , or
- Visit the website of the Department of Labor, Licensing and Regulation at <http://dllr.maryland.gov/license/taxprep/>. 

TAX HELP February 2 - April 18, 2016, 8 a.m. - 7 p.m., Monday - Friday,
1-800-MDTAXES (1-800-638-2937) or from Central Maryland: 410-260-7980.

Franchot Proposes Taxpayer Protection Act

Comptroller's Top Legislative Priority Aims to Strengthen Enforcement of Tax Fraud, Identity Theft

Maryland Comptroller Peter Franchot has announced the introduction of legislation called The Taxpayer Protection Act to better protect Maryland taxpayers from tax fraud and identity theft. In efforts to spread the word about what the bill will do, the Comptroller has been meeting with Certified Public Accountants throughout the state to explain how the Act will safeguard taxpayer information.

"The Taxpayer Protection Act will strengthen my agency's ability to enforce Maryland's Tax Code and protect Maryland taxpayers," Comptroller Franchot said as the state's chief tax collector. "The legislation will improve our ability to prevent tax fraud, to expand our efforts to protect taxpayer information and to increase the authority of our field enforcement agents to effectively hold fraudulent filers and preparers accountable."

The bill will:


- Establish a fraudulent return preparer penalty;
- Make it a felony for anyone to try to evade or defeat any tax imposed under the Tax General Article, and impose a penalty upon conviction of the offense; and,
- Provide legal authority to issue injunctions against preparers under investigation for fraud to protect consumers while investigations are ongoing.

Since taking office in 2007, the Comptroller's Office has stopped nearly \$152 million in tax fraud. The proposed legislation will enhance the tools available to the Comptroller and his staff of highly-skilled tax and enforcement professionals to detect and prevent tax fraud. Among the key provisions of the legislation are to make




Comptroller Peter Franchot announced legislation he introduced in January called The Taxpayer Protection Act, which will better protect Maryland taxpayers from tax fraud and identity theft. The announcement was made at a media roundtable session in the Assembly Room of the Louis L. Goldstein Treasury Building in Annapolis. He made a similar presentation to the Maryland Association of Certified Public Accountants at their annual luncheon in Baltimore. Joining the Comptroller from his agency are, from left: Field Enforcement Division Director Jeff Kelly, Deputy Comptroller Sharonne Bonardi and Deputy Director of the Revenue Administration Division Wallace Eddleman.

major tax crimes a felony and to extend the statute of limitations for tax crimes to six years from the current three years to allow sufficient time to properly investigate and bring charges in often sophisticated fraud schemes.

Over the past nine years, the Comptroller's Office has made unprecedented investments in dedicated personnel and advanced technology to detect and prevent tax fraud. Earlier this month, the Comptroller signed a Memorandum of Understanding in collaboration with the Internal Revenue Service, State Departments of Revenue, Tax Industry Electronic Return Transmission and related financial service organizations to protect taxpayers from the burdens associated with identity theft and refund fraud. 

Form 500MC Information Not Required for Tax Year 2015

Form 500MC is not available for tax year 2015 because the information required in that form is no longer required by law. Under the Tax Reform Act of 2007, as amended by Chapter 177/178 (Senate Bill 444/House Bill 664) of the 2008 regular session of the General Assembly, the Comptroller of Maryland was required to annually report to the General Assembly each manufacturing corporation with more than 25 employees and

apportion the income of each manufacturing corporation under a single sales factor. As a result of that legislation, multi-state manufacturing corporations were required to file the Form 500MC reporting the single factor apportionment based on receipts to the Comptroller. However, the filing of the Form 500MC is no longer required by statute and that form has been removed. 

Changes in 2015 Tax Credits


Individual taxpayers now have the option to file Form 502CR or Business Tax Credit Form 500CR to claim the Community Investment Tax Credit (CITC). Individuals may not do both. Also, PTE members may not use Form 502CR to claim their distributive or pro rata share of the CITC. PTE members must continue to claim their credit in the Business Tax Summary Section of Form 500CR. Note: Taxpayers must electronically file the tax return to claim Business Tax Credits on Form 500CR. Form 502CR may be filed by paper or electronically.

As a result of the U.S. Supreme Court case, *Comptroller of the Treasury of Maryland v. Wynne*, Part A of the 2015 Form 502CR has been updated to allow individuals who paid income tax to another state and/or another state's locality to apply a credit against the Maryland State and local tax. Part A of the Form 502CR has been expanded from eight lines to fourteen lines. The revisions to Part A of the Form 502CR are based on the Form 502LC, which was used to claim a credit in years prior to 2015. The Form 502LC was released by the Comptroller in July of 2015 to comply with the Wynne decision.

The new Endow Maryland Tax Credit permits a tax credit of 25 percent of approved donation to a qualified permanent endowment fund, not to exceed \$50,000. The amount of the donation that gave rise to the tax credit must be added back. Individuals may claim this credit on Form 502CR or Form 500CR.

The existing Maryland Disability Employment Tax Credit has been updated to allow employers who hire disabled workers an increased credit amount equal to 30 percent of the first \$9,000 of wages of each qualified employee for each of the first two years of employment, as well as an increase of up to \$900 for child care and travel per each qualified employee for each of the first two years of employment.

We now require certification of the Qualified Vehicle Credit, which allows up to \$400 for the cost of titling and registration for each Class F (Tractor) vehicle registered in Maryland.

The amount of tax credit allowable for the existing Oyster Shell Recycling Tax Credit has increased to \$5 per bushel, not to exceed \$750. 

Is Fiduciary for Form 504 Still Viable?

There have been major changes to the Fiduciary Income Tax Return, Form 504, which is used to report and pay the Maryland income tax on the income taxable to the fiduciary of the trust or estate. Changes include the renumbering of lines for the entire return to ensure that Electing Small Business Trust (ESBT) income is properly allocated to Maryland.


Line 3 - On the 2014 Form 504, Electing Small Business Trust (ESBT) income was claimed on the second page of the Form 504. That ESBT income is now entered on line 3 of page 1 of the 2015 Form 504.

Line 12 and 18 - The special nonresident tax has been separated from the local tax on the 2015 Form 504. The special resident tax is now entered on line 12 and the local tax is computed and entered on line 18.

Line 14 - The state portion of the credits for fiduciary income tax paid to another state or locality is now entered on line 14. Credits for fiduciary income tax for preservation and conservation easements are also entered on line 14.

Line 15 - Nonrefundable business tax credits from Part W of the Form 504 CR are now entered on line 15 of the Form 504.

Line 19 - The local tax credit is now entered on line 19, as computed from Part A of the Form 502CR. This new credit is available as a result of the Wynne decision. For more information read about the Wynne decision on the Comptroller's website www.marylandtaxes.com. Enter "Wynne decision" in the search field to find tax information and FAQs on the Wynne decision.

Line 30 - Refundable business tax credits from Part Y of the Form 504 CR are now entered on line 30 of the Form 504. 


Maryland Continues Phase-in of Recoupling on Estate Tax

In 2014, House Bill 739 was signed, which gradually conforms the Maryland estate tax to the value of the unified credit under the federal estate tax.

For decedents dying on or after January 1, 2015, that gradual re-coupling of the state and federal estate tax exemption amounts began, thereby increasing the amount that can be exempted under the Maryland estate tax.

For decedents dying in 2015, the Maryland estate tax exemption amount increased from \$1 million to \$1.5 million. The exemption amount will further increase to \$2 million for

decedents dying in 2016. The gradual increase will continue over three more years, ultimately re-coupling the Maryland and federal exemption amounts in 2019. For more information, see MD Code, Tax - General, § 7-309(b)(iii).


The above-referenced legislation establishes a specific numerical value on the exclusion amount for years ending before 2019. Only beginning in 2019 is the exclusion amount tied to the federal definitions. Consequently, portability, which is a part of the federal definition for determining the exclusion amount, does not take effect in Maryland until 2019. 

Form 1099G Mailed to Taxpayers

Federal law requires the Comptroller's Office to send a Form 1099-G by February 1, 2016 to taxpayers who itemized deductions on their federal return and to whom an income tax refund, credit, or offset of more than \$10 was sent in 2015.

As a result, the Comptroller's office has mailed approximately 1.22 million Form 1099-Gs to taxpayers. In addition, e-mail notifications have been sent to taxpayers

who have requested the paperless Form 1099-G informing the taxpayers their Form 1099-G is available to be accessed and printed from the our website at www.marylandtaxes.com. Taxpayers can elect to save the state money by using the electronic Form 1099-G.


Look for the checkbox on your return to request your Form 1099-G electronically. 

IRS Tips to Keep Tax Records Secure; Avoid Identity Theft

The Internal Revenue Service has teamed up with state revenue departments and the tax industry to make sure you understand the dangers to your personal and financial data.

- Always retain a copy of your completed federal and state tax returns and their supporting materials. These prior-year returns will help you prepare next year's taxes, and receipts will document any credits or deductions you claim should questions arise later.
- If you retain paper records, you should keep them in a secure location — preferably under lock and key, such as a secure desk drawer or a safe.
- If you retain records electronically on your computer, you should always have an electronic back-up, in case your hard

drive crashes. You should encrypt the files both on your computer and any back-up drives you use. You may have to purchase encryption software to ensure the files' security.

- Dispose of old tax records properly. Never toss paper tax returns and supporting documents into the trash. Your federal and state tax records, as well as any financial or health records, should be shredded before disposal.
- If you are disposing of an old computer or back-up hard drive, keep in mind they contain sensitive data. Deleting stored tax files will not remove them from your computer. You should wipe the drives of any electronic product you trash or sell, including tablets and mobile phones, to ensure you remove all personal data. Again, this may require special disk utility software. 

COMPTROLLER PETER FRANCHOT REMINDS TAXPAYERS THAT THE MOST EFFICIENT AND SECURE WAY TO FILE A STATE AND FEDERAL TAX RETURN IS TO FILE ELECTRONICALLY.

Local Branch Offices Ready for Tax Season

Taxpayers can obtain free Maryland income tax assistance in person or over the phone by contacting Taxpayer Service at 410-260-7980 from Central Maryland, or 1-800-MD-TAXES (1-800-638-2937) from elsewhere, or in person at any of the 12 locations listed below.

BRANCH OFFICES LISTED BY CITY - Assistance is available 8:30 a.m. - 4:30 p.m., Monday through Friday.

Annapolis
Revenue
Administration Center
110 Carroll Street
Annapolis, MD 21411

Baltimore
State Office Bldg.
301 W Preston Street,
Room 206
Baltimore, MD 21201

Cumberland
Allegany Museum
3 Pershing Street,
Suite 101
Cumberland, MD 21502

Elkton
Upper Chesapeake Corporate
Center
103 Chesapeake Blvd,
Suite D
Elkton, MD 21921

Frederick
Courthouse/
Multiservice Center
100 W. Patrick St. Room 2110
Frederick, MD 21701

Hagerstown
Professional Arts Bldg.
One South Potomac Street
Hagerstown, MD 21740

Landover
Treetops Bldg.
8181 Professional Place,
Suite 101
Landover, MD 20785

Salisbury
Sea Gull Square
1306 South Salisbury Blvd.,
Suite 182
Salisbury, MD 21801

Towson
Hampton Plaza
300 E. Joppa Road,
Plaza Level 1A
Towson, MD 21286

Upper Marlboro
Prince George's County
Courthouse
14735 Main Street,
Room 083B
Upper Marlboro, MD 20772

Waldorf
1036 Saint Nicholas Drive,
Suite 202
Waldorf, MD 20603

Wheaton
Westfield Wheaton South
Building
11002 Veirs Mill Rd, Suite 408
Wheaton, MD 20902

BRANCH OFFICES LISTED BY JURISDICTION

ALLEGANY COUNTY
Cumberland

ANNE ARUNDEL COUNTY
Annapolis

BALTIMORE CITY
Baltimore

BALTIMORE COUNTY
Towson

CALVERT COUNTY
Upper Marlboro

CAROLINE COUNTY
Salisbury

CARROLL COUNTY
Frederick

CECIL COUNTY
Elkton

CHARLES COUNTY
Waldorf

DORCHESTER COUNTY
Salisbury

FREDERICK COUNTY
Frederick

GARRETT COUNTY
Cumberland

HARFORD COUNTY
Elkton

HOWARD COUNTY
Wheaton

KENT COUNTY
Elkton

MONTGOMERY COUNTY
Wheaton

PRINCE GEORGE'S COUNTY
Landover

QUEEN ANNE'S COUNTY
Annapolis

SOMERSET COUNTY
Salisbury

ST. MARY'S COUNTY
Waldorf

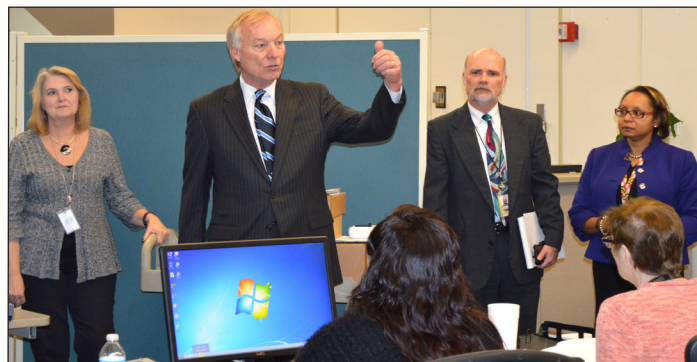
TALBOT COUNTY
Salisbury

WASHINGTON COUNTY
Hagerstown

WICOMICO COUNTY
Salisbury

WORCESTER COUNTY
Salisbury

Comptroller Franchot Opens Tax Season



At the beginning of the 2016 tax filing season, Comptroller Franchot visits his agency's Revenue Administration Division Training Center to inspire and kick off a successful tax season. From left to right: Training Coordinator, Cathy Young; Maryland Comptroller, Peter Franchot; Revenue Administration Director Wayne Green and Deputy Comptroller, Sharonne Bonardi.

TAX FORMS, TAX TIPS, BROCHURES AND INSTRUCTIONS ARE AVAILABLE ONLINE AT WWW.MARYLANDTAXES.COM AND BRANCH OFFICES OF THE COMPTROLLER.

Important Maryland Tax Phone Numbers

Taxpayer Services: Call 1800 MDTAXES (1-800-638-2937)
or from Central Maryland 410-260-7980.

Central Registration Unit: For help in completing the Combined Registration Application, call 410-260-7980 from Central Maryland or 1-800-638-2937 from elsewhere. You can also fax your completed application to 410-260-7908 or complete and file the application online at www.marylandtaxes.com.

Refund Unit, Compliance Division: For information about sales and use tax, admissions and amusement tax and tire fee refunds, call 410-767-1530.

License Bureau, Investigative Services Unit: To determine if special licenses are required, call 410-260-6240 or toll-free 1-866-239-9359. Send Email inquiries to slb@comp.state.md.us.

No Tax Due? If you have no tax due for the filing period, you may telefile your business tax return at 410-260-7225. You can also file your business tax return electronically, using bFile.

Visit the agency's website www.marylandtaxes.com to:
file business taxes electronically, using bFile; pay existing income and business tax liabilities online, using BillPay; register business tax accounts online; verify sales tax exemption certificates online; and use other online services.

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